

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
3 Chairman
4 JIM IRVIN
5 Commissioner
6 MARC SPITZER
7 Commissioner

8 In the matter of)

) DOCKET NO. S-03394A-01-0000

9 ROBERT DALE HYLTON)
10 19404 North 71st Avenue)
11 Glendale, Arizona 85308)

) DECISION NO. 64343

12 HYLTON ENTERRPISES, INC.)
13 P.O. Box 5955)
14 Glendale, Arizona 85312)

) **ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES
AND CONSENT TO SAME**

15 OREO MANAGEMENT CO.)
16 19404 North 71st Avenue)
17 Glendale, Arizona 85308)

) **BY: RESPONDENTS ROBERT DALE
HYLTON, HYLTON ENTERPRISES,
INC., OREO MANAGEMENT CO.,
LEGEND LEASING CO., LIBERTY
MARKETING CO. AND PASSPORT
WHOLESALE SUPPLY**

18 LEGEND LEASING CO.)
19 19404 North 71st Avenue)
20 Glendale, Arizona 85308)

21 LIBERTY MARKETING CO.)
22 19404 North 71st Avenue)
23 Glendale, Arizona 85308)

24 PASSPORT WHOLESALE SUPPLY)
25 19404 North 71st Avenue)
26 Glendale, Arizona 85308,)

_____ Respondents.)

21 RESPONDENTS ROBERT DALE HYLTON (“HYLTON”), HYLTON ENTERPRISES,
22 INC., OREO MANAGEMENT CO., LEGEND LEASING CO., LIBERTY MARKETING CO.
23 AND PASSPORT WHOLESALE SUPPLY (“RESPONDENTS”) elect to permanently waive their
24 right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. §
25 44-1801, *et seq.* (“Securities Act”) with respect to this Order To Cease And Desist, Order Of
26 Restitution, Order For Administrative Penalties And Consent To Same (“Order”).

1 RESPONDENTS admit the jurisdiction of the Arizona Corporation Commission (“Commission”);
2 admit, only for purposes of this proceeding and any other administrative proceeding before the
3 Commission or any other agency of the state of Arizona, the Findings of Fact and Conclusions of
4 Law contained in this Order; and consent to the entry of this Order by the Commission.
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6 **I.**

7 **FINDINGS OF FACT**

8 1. HYLTON is licensed in Arizona to sell insurance. He is a Certified Public Accountant in
9 the state of Arizona.

10 2. HYLTON ENTERPRISES, INC. is a corporation for which HYLTON is the vice-
11 president.

12 3. OREO MANAGEMENT CO. is a trust for which HYLTON is co-trustee.

13 4. LEGEND LEASING CO. is a trust for which HYLTON is trustee.

14 5. LIBERTY MARKETING CO. is a trust for which HYLTON is co-trustee.

15 6. PASSPORT WHOLESALE SUPPLY is a sole proprietorship owned by HYLTON.
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17 **The Promissory Notes**

18 7. RESPONDENTS offered and sold notes and/or investment contracts in Arizona from 1998
19 through 2000 for Superior Holding Group, Inc. and Superior Leasing of Arizona, Inc. (collectively
20 “Superior”). Superior was in the automobile-sale leaseback business. Superior would purchase
21 automobiles from individuals in need of cash, and then lease the cars back to the individuals. Superior
22 literature, given to some investors, stated that Superior was collateralized by at least a five-to-one ratio
23 on the value of the car to the purchase price given to the individual. The literature stated that the
24 default rate was less than one percent. Additionally, Superior stated in the literature that there was no
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1 risk to the investor even if it was unable to reclaim the vehicle; the investor would get paid regardless
2 of that happening.

3 8. RESPONDENTS sold 14 Superior promissory notes to investors for a total of at least
4 \$812,972. Superior provided HYLTON with office space rent-free, as well as paying commissions
5 to RESPONDENTS totaling \$216,304.75. HYLTON informed investors that he had known the
6 president of Superior, Lloyd Rockwell (“Rockwell”), for a number of years and that Rockwell was
7 an honorable man. HYLTON told investors the rate of return they would receive on the
8 investment. He did not inform investors that RESPONDENTS would be receiving commissions
9 from the sale of notes to them. He did not provide any financial information or background on
10 Superior or Rockwell to investors. HYLTON failed to conduct any type of due diligence into
11 Superior’s business, including whether it was conducting any business. He did not examine the
12 books and records of Superior.
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14 9. On April 14, 2000, the Commission entered a Consent Order against Superior and
15 Rockwell, Docket No. S-03373A-99-0000, for violations of A.R.S. §§ 44-1841, 44-1842 and 44-
16 1991.

17 The Cash Machines

18 10. In or about 1999, HYLTON entered into an agreement with Partners Investment Network
19 to sell cash ticket machines (“CTMs”) on behalf of World Cash Providers, L.L.C. (“WCP”). WCP put
20 together a package of equipment sales and services to sell to investors. The package was presented to
21 investors as “business opportunities,” involving the sale of WCP CTMs together with World Cash
22 Providers, Inc. (“WCP, Inc.”) service contracts, whereby the service company would manage the
23 equipment for the purpose of generating a profit for investors.
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1 11. Although the offering documents for the CTM investment program describe options for
2 different levels of managing the equipment, in practice, all investors selected the full-service option,
3 which offered a revenue-sharing feature and a buy-back provision. Under the full-service option,
4 investors had no responsibilities with respect to the operation of their equipment beyond signing the
5 service contracts, no financial obligations apart from the initial payment to purchase the units, no
6 continuing financial obligation in the operation of their equipment, and no liability for any expenses or
7 costs related to the operation of the equipment. Some of the services offered to investors, including
8 processing and “transaction handling,” required special expertise. The transaction handling was to be
9 performed by WCP, Inc. for the CTMs. That function was key to generating a profit for investors.

10 12. Investors exercised no managerial or entrepreneurial duties in connection with these
11 investments. The profits of the investors were dependent upon the transaction handling and
12 monitoring services provided by WCP, Inc. The investment was to provide a 13 percent return.
13 HYLTON told investors that he had visited the company and that the investment would be safe.

14 13. HYLTON sold WCP investments to three investors for a total of at least \$112,500. As of
15 this date, no investor has received their principal back from their investment. HYLTON received
16 commissions of \$11,250 for selling these contracts to investors.

17 14. On February 8, 2000, the California Department of Corporations found that the business
18 opportunities sold by WCP and WCP, Inc. were securities and ordered WCP and WCP, Inc. to stop
19 selling these business opportunities in California. On May 24, 2001, the Commission entered an
20 Order against WCP and WCP, Inc., among others, finding that the CTM investment program was a
21 security and permanently barring them from violating the Securities Act by selling it. See Docket
22 No. S-03396A-01-0000, for violations of A.R.S. §§ 44-1841, 44-1842 and 44-1991.

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II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. RESPONDENTS offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while neither registered as dealers or salesmen nor exempt from registration.

5. RESPONDENTS directly or indirectly violated A.R.S. § 44-1991 by offering or selling securities within or from Arizona by (i) employing a device, scheme or artifice to defraud, (ii) making untrue statements or misleading omissions of material facts; and (iii) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit. RESPONDENTS' conduct with respect to the offer or sale of promissory notes includes, but is not limited to, the following:

- a) Failing to inform investors that the promissory notes were not registered as securities in Arizona and were not exempt from registration;
- b) Failing to disclose the financial incentives that RESPONDENTS received for selling the promissory notes;
- c) Failing to provide full disclosure regarding the risk of the investment, including the potential to lose principal, and the riskiness of investing in companies with limited track records;
- d) Failing to provide investors with disclosure statements, prospectuses or financial statements including but not limited to past operations, balance sheets, statements of

1 income, retained earnings, cash flows and uses of proceeds that would reflect the
2 financial position of these entities; and

- 3 e) Failing to disclose RESPONDENTS' own lack of due diligence in investigating the
4 investment.

5 6. HYLTON directly or indirectly violated A.R.S. § 44-1991 by offering or selling
6 securities within or from Arizona by (i) employing a device, scheme or artifice to defraud, (ii)
7 making untrue statements or misleading omissions of material facts; and (iii) engaging in
8 transactions, practices or courses of business which operate or would operate as a fraud or deceit.

9 HYLTON's conduct with respect to the offer or sale of cash ticket machines includes, but is not
10 limited to, the following:

11 a) Failing to disclose specific risks involved in investments in the business
12 opportunities, including but not limited to the risk that the CTM units might never be placed in
13 service;

14 b) Representing to CTM investors that their equipment would be delivered within 30 or
15 60 days of their completed contract, when in fact many of the CTMs that were purchased were never
16 delivered or placed in service;

17 c) Failing to disclose that many of the WCP CTMs that were purchased were never
18 delivered or placed in service; and

19 d) Failing to disclose any financial or background information about the issuers or
20 their principals.

21 7. RESPONDENTS' conduct is grounds for a cease and desist order pursuant to A.R.S. §
22 44-2032.

23 8. RESPONDENTS' conduct is grounds for an order of restitution pursuant to A.R.S. §
24 44-2032.

25 9. RESPONDENTS' conduct is grounds for administrative penalties under A.R.S. § 44-
26 2036.

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III.
ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the RESPONDENTS’ consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, their agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall, jointly and severally, pay restitution to investors shown on the records of the Commission in the amount of \$227,554.75, plus interest at the rate of 10% per annum from the date of each investment until paid in full. Payment shall be made by cashier’s check or money order payable to the “State of Arizona” to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. If all investors are paid in full, any excess funds shall revert to the state of Arizona.

IT IS FURTHER ORDERED, pursuant to A. R.S. § 44-2036, that RESPONDENTS, jointly and severally, shall pay an administrative penalty in the amount of \$25,000, payable to the “State of Arizona,” plus interest at the rate of 10% per annum from the date of this Order until paid in

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1 full. If all restitution, plus interest, is paid within one year of this Order, then the amount of
2 penalty shall be reduced to \$15,000, plus interest at the rate of 10% per annum from the date of
3 this Order

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
10 Executive Secretary of the Arizona Corporation
11 Commission, have hereunto set my hand and caused the
12 official seal of the Commission to be affixed at the
13 Capitol, in the City of Phoenix, this _____ day of
14 _____, 2002.

15 _____
16 BRIAN C. McNEIL
17 Executive Secretary

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19 _____
20 DISSENT

21 This document is available in alternative formats by contacting Shelly M. Hood, Executive
22 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail
23 shood@cc.state.az.us.

24 (md)

CONSENT TO ENTRY OF ORDER

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2 1. RESPONDENTS ROBERT DALE HYLTON, HYLTON ENTERPRISES, INC.,
3 OREO MANAGEMENT CO., LEGEND LEASING CO., LIBERTY MARKETING CO. and
4 PASSPORT WHOLESALE SUPPLY (“RESPONDENTS”) admit the jurisdiction of the
5 Commission over the subject matter of this proceeding. RESPONDENTS acknowledge that they
6 have been fully advised of their right to a hearing to present evidence and call witnesses and
7 RESPONDENTS knowingly and voluntarily waive any and all rights to a hearing before the
8 Commission and all other rights otherwise available under Article 11 of the Securities Act and
9 Title 14 of the Arizona Administrative Code. RESPONDENTS acknowledge that this Order
10 constitutes a valid final order of the Commission.

11 2. RESPONDENTS knowingly and voluntarily waive any right they may have under
12 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief resulting from the entry of this Order.

14 3. RESPONDENTS acknowledge and agree that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. RESPONDENTS acknowledge that they have been represented by counsel in this
17 matter, they have reviewed this Order with their attorney and understands all terms it contains.

18 5. RESPONDENTS admit, for purposes of this proceeding and any other administrative
19 proceeding before the Commission or any other agency of the state of Arizona, the Findings of
20 Fact and Conclusions of Law contained in this Order. These admissions shall not bind
21 RESPONDENTS in proceedings other than before the Commission or any other agency of the
22 state of Arizona.

23 6. By consenting to the entry of this Order, RESPONDENTS agree not to take any action
24 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding
25 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without
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1 factual basis. RESPONDENTS will undertake steps necessary to assure that all of their agents and
2 employees understand and comply with this agreement.

3 7. While this Order settles this administrative matter between RESPONDENTS and the
4 Commission, RESPONDENTS understands that this Order does not preclude the Commission
5 from instituting other administrative proceedings based on violations that are not addressed by this
6 Order.

7 8. RESPONDENTS understands that this Order does not preclude the Commission from
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
9 that may be related to the matters addressed by this Order.

10 9. RESPONDENTS understands that this Order does not preclude any other agency or
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
12 proceedings that may be related to matters addressed by this Order.

13 10. RESPONDENT ROBERT DALE HYLTON agrees that he will not apply to the state of
14 Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser
15 or investment adviser representative at any time in the future.

16 11. RESPONDENT ROBERT DALE HYLTON agrees that he will not exercise any
17 control over any entity that offers or sells securities or provides investment advisory services,
18 within or from Arizona.

19 12. RESPONDENTS agree that until restitution and penalties are paid in full,
20 RESPONDENTS will notify the Director of the Securities Division within 30 days of any change
21 in home address or any change in RESPONDENTS' ability to pay amounts due under this Order.

22 13. RESPONDENTS understand that default shall render them liable to the Commission
23 for its costs of collection and interest at the maximum legal rate.

24 14. RESPONDENTS agree that they will continue to cooperate with the Securities Division
25 including, but not limited to, cooperating with the state of Arizona in any related investigation or
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1 any other matters arising from the activities described in this Order, including providing complete
2 and accurate testimony at any hearing.

3 15. RESPONDENTS consent to the entry of this Order and agree to be fully bound by its
4 terms and conditions. If RESPONDENTS breach any provision of this Order, the Commission
5 may vacate this Order and restore this case to its active docket.

6 16. RESPONDENT ROBERT DALE HYLTON is authorized to enter into this Order on
7 behalf of RESPONDENTS HYLTON ENTERPRISES, INC., OREO MANAGEMENT CO.,
8 LEGEND LEASING CO., LIBERTY MARKETING CO. and PASSPORT WHOLESALE
9 SUPPLY.

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ROBERT DALE HYLTON

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SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____, 2001.

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NOTARY PUBLIC

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My Commission Expires:

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HYLTON ENTERPRISES, INC.

By: ROBERT DALE HYLTON
Its Vice-President

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

NOTARY PUBLIC

My Commission Expires:

OREO MANAGEMENT CO.

By: ROBERT DALE HYLTON
Its Co-Trustee

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

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LEGEND LEASING CO.

By: ROBERT DALE HYLTON
Its Trustee

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

NOTARY PUBLIC

My Commission Expires:

LIBERTY MARKETING CO.

By: ROBERT DALE HYLTON
Its Co-Trustee

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

NOTARY PUBLIC

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PASSPORT WHOLESALE SUPPLY

By: ROBERT DALE HYLTON

SUBSCRIBED AND SWORN TO BEFORE me this _____ day of _____, 2001.

NOTARY PUBLIC

My Commission Expires:
